

VAN ETEN SIPPRELLE LLP
KEITH A. SIPPRELLE (SBN 143358)
2945 Townsgate Road, Suite 200
Westlake Village, California 91361
Telephone: (805) 719-4900
Facsimile: (805) 719-4950
ksipprelle@vstriallaw.com

Attorneys for Respondent
BYTON NORTH AMERICA CORPORATION

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

EDAG ENGINEERING GMBH,

Petitioner,

vs.

BYTON NORTH AMERICA
CORPORATION,

Respondent.

Case No. 3:21-cv-04736-EMC

[Hon. Edward M. Chen]

**RESPONDENT BYTON NORTH
AMERICA CORPORATION'S
MEMORANDUM OF POINTS AND
AUTHORITIES IN OPPOSITION TO
PETITIONER EDAG ENGINEERING
GMBH'S MOTION FOR APPOINTMENT
OF A RECEIVER**

***[SUPPORTING DECLARATION OF GONG
LIN CHEN SUBMITTED
CONCURRENTLY HEREWITH]***

Date: January 6, 2022
Time: 1:30 p.m. (Zoom)

Respondent BYTON NORTH AMERICA CORPORATION hereby respectfully opposes the Motion of Petitioner EDAG Engineering GMBH (“EDAG”) to appoint a receiver “To Marshal, to Recover, Set Aside Fraudulent Conveyance of 22 Patents from Byton Limited (“Byton Ltd”) and Provide for Sale Pursuant to FRCP 69(a), and Rule 66, C.C.P. Section 708.620 and Civil Code Section 3439.07(a)(3)(b) for Purposes of the Payment of the Judgment Thereof” (hereafter the “Motion,” Docket Entry 53).¹

I. SUMMARY OF ARGUMENT.

EDAG’s two-step Motion seeks: (1) a determination by this Court that 22 patents owned by a non-party to this action, Byton Limited, were fraudulently conveyed to Byton Limited by Respondent Byton North America Corporation (“Byton NA”); and (2) to appoint a receiver to sell these 22 purportedly fraudulently conveyed patents as well as three other patents owned by non-party Byton Limited.

EDAG’s Motion constitutes a stunning effort to deprive a non-party of due process. All 25 patents at issue are owned by a non-party to this litigation, Byton Limited. Byton Limited was not a party to the underlying arbitration proceeding, and is not a party to this federal court enforcement action. Moreover, the judgment entered by this Court on December 13, 2021 is not against Byton Limited. Nevertheless, EDAG arrogantly seeks to strip a non-party to this action against whom EDAG does not have a judgment of patents owned by that non-party which EDAG has valued at nearly \$84 million. EDAG’s utter disregard for the basic due process rights of Byton Limited should be rejected by this Court.

Moreover, EDAG’s Motion, if granted, would in effect make a non-party to this action,

¹ EDAG has also filed an *ex parte* application for issuance of an “(A) Order Shortening Time for Hearing on Motion for Appointment of Receiver for Sale of BNA Patents #1 and #2 and Extinguishment of Transfers of BNA Patents #1 to Byton Limited; (b) Injunction for the Sale, Transfer of Disposition of BNA Patents #1 & 2...”. (Docket Entry 54.) EDAG purported set its *ex parte* application for hearing on December 30, 2021. The *ex parte* application would appear to be moot/off calendar due to the Court’s Notice of December 17, 2021 setting the Motion for hearing on January 6, 2021. However, to the extent the *ex parte* application is not moot/off calendar, Byton NA respectfully requests that its opposition to this Motion also be deemed its opposition to the *ex parte* application.

1 Byton Limited, a party to the judgment entered by this Court on December 13, 2021 without
2 EDAG ever having properly joined Byton Limited in this action. Byton Limited is a Hong Kong
3 corporation. Byton Limited can only be joined as a party to United States litigation by service of
4 process through the procedures established by The Hague Service Convention. EDAG has not
5 complied with the requirements of The Hague Service Convention with respect to Byton Limited.
6 As such, the Motion seeks relief that, if granted, would violate an international treaty to which the
7 United States is a signatory.

8 Finally, the linchpin of EDAG's Motion, the contention that 22 of the 25 patents at issue
9 were fraudulently conveyed to Byton Limited, is specious. EDAG's Motion is in effect a
10 disguised motion for summary judgment motion, and EDAG has not come close to demonstrating
11 the absence of a triable issue of material fact with respect to its fraudulent conveyance claim. To
12 the contrary, the evidence submitted by Byton NA in opposition to the Motion (the Declaration of
13 Gong Lin Chen) establishes that the 22 patents at issue could not possibly have been fraudulently
14 assigned to Byton Limited, because: (1) these patents were never assets of Byton NA; and (2)
15 Byton NA received consideration for the assignments.

16 Because the 25 patents at issue are not and never were assets of Byton NA, they are not
17 subject to sale to satisfy EDAG's December 13, 2021 judgment. As such, there is no need for the
18 appointment of a receiver to sell these patents. The Motion should be denied.

19 **II. EDAG'S MOTION SEEKS TO DEPRIVE A NON-PARTY OF DUE**
20 **PROCESS.**

21 The Fifth and Fourteenth Amendments to the United States Constitution prohibit the federal
22 and state governments from deprivations of property without due process of law.

23 Here, EDAG Seeks an order from this Court that would strip a non-party to this litigation,
24 Byton Limited, of United States patents that it owns without Byton Limited ever having been
25 made a party either to the underlying arbitration proceeding or to this federal court enforcement
26
27
28

1 action.² Even more egregiously, EDAG seeks to strip Byton Limited of its ownership of its 25
 2 patents (which EDAG's purported expert has valued at nearly \$84 million) based on a judgment to
 3 which Byton Limited is not even a party. EDAG's utter disregard of the fundamental due process
 4 rights of Byton Limited is breathtaking in its arrogance.

5 While there is no definitive list of the "required procedures" that would satisfy due process,
 6 eminent jurist Henry J. Friendly (United States Court of Appeals for the Second Circuit, 1959-
 7 1986) developed a list that remains highly influential to this day. The list, which is discussed in
 8 detail in Judge Friendly's sweeping and highly influential article "*Some Kind of Hearing*" (which
 9 appeared in 1975 in the *University of Pennsylvania Law Review*), includes the following:

- 10 - An unbiased tribunal.
- 11 - Notice of the proposed action and the grounds asserted for it.
- 12 - Opportunity to present reasons why the proposed action should not be taken.
- 13 - The right to present evidence, including the right to call witnesses.
- 14 - The right to know opposing evidence.
- 15 - The right to cross-examine adverse witnesses.
- 16 - A decision based exclusively on the evidence presented.
- 17 - Opportunity to be represented by counsel.
- 18 - Requirement that the tribunal prepare a record of the evidence presented.
- 19 - Requirement that the tribunal prepare written findings of fact and reasons for its
 20 decision.

21 See *University of Pennsylvania Law Review*, Volume 123, Issue 6 (1975), 1267-1317, *Some Kind*
 22 *of Hearing* (and cases cited therein).

23 Here, the order that EDAG seeks would run afoul of most of Judge Friendly's requirements

25 ² There are 25 U.S. patents at issue in the Motion. As discussed in the Motion, the registered
 26 owner of 22 of these patents (in the files of the United States Patent and Trademark Office (the
 27 "USPTO")) is Byton Limited. The registered owner with the USPTO of the remaining three
 28 patents (Patent ## 11042341, 11110821 and 11107354) is not Byton Limited. Nevertheless,
 Byton Limited is the true owner of these three patents. See Declaration of Gong Lin Chen
 submitted concurrently herewith ("Chen Declaration") at ¶¶ 11-16.

1 for procedural due process. As a non-party to this action, Byton Limited has not: (a) received
 2 proper notice of the proposed action and the grounds asserted for it, (b) been afforded an
 3 opportunity to present reasons why the proposed action should not be taken, (c) had the right to
 4 present evidence, (d) been afforded the right to know and evaluate EDAG's evidence, (d) been
 5 afforded the right to cross-examine witnesses, and (e) had the opportunity to be represented by
 6 counsel. In short, EDAG seeks an order that is flatly unconstitutional under the United States
 7 Constitution.³

8 The Motion should be denied.

9 **III. EDAG'S MOTION SEEKS AN ORDER THAT WOULD VIOLATE AN**
 10 **INTERNATIONAL TREATY.**

11 By seeking to strip Byton Limited of its ownership of patents that EDAG has valued at
 12 approximately \$84 million, EDAG effectively seeks to modify the December 13, 2021 judgment
 13 against Byton NA to make Byton Limited a co-debtor on the judgment. In effect, then, EDAG
 14 seeks to make Byton Limited a party to this litigation without ever having sued and served Byton
 15 Limited with summons.

16 Byton Limited is an active Hong Kong corporation. (Chen Decl., ¶ 8.) Hong Kong is a
 17 signatory to The Convention on the Service Abroad of Judicial and Extrajudicial Documents in
 18 Civil or Commercial Matters (aka The Hague Service Convention, 20 U.S.T. 361). The United
 19

20 ³ Of the 25 patents at issue (all of which are owned by non-party Byton Limited), EDAG seeks to
 21 seize 22 of these patents on the basis that they were fraudulently conveyed to Byton Limited by
 22 Byton NA. While California common law governing fraudulent conveyances as well as the
 23 California Uniform Voidable Transactions Act (*Civil Code* §§ 3439–3439.12) do allow for the
 24 setting aside/voiding of fraudulent conveyances, nothing in California law of which Byton NA is
 25 aware would allow for property to be seized from its current owner/transferee on the basis that the
 26 property was fraudulently conveyed without notice to the current owner/transferee and an
 27 opportunity to contest the fraudulent conveyance claim. No case cited in EDAG's brief involving
 28 the voiding of an asset transfer on the basis that the transfer was a fraudulent conveyance
 authorizes the voiding of the transfer and the seizure/sale of the transferred asset without affording
 the owner-transferee an opportunity to litigate the fraudulent conveyance issue. To the contrary, in
 the relevant cases cited by EDAG, the transferee was a party to litigation in which the fraudulent
 conveyance claim was litigated, and thus afforded an opportunity to litigate the fraudulent
 conveyance issue.

1 States is also a signatory to The Hague Service Convention.⁴

2 Under both federal and California law, service on a foreign corporation generally must be
3 accomplished through The Hague Service Convention. *See Volkswagenwerk Aktiengesellschaft v.*
4 *Schlunk* (1988) 486 U.S. 694, 699 (where a defendant resides in a Hague Service Convention
5 state, its procedures are mandatory⁵); *California Code of Civil Procedure* § 413.10(c) [“These
6 rules are subject to the provisions of the Convention on the ‘Service Abroad of Judicial and
7 Extrajudicial Documents’ in Civil or Commercial Matters (Hague Service Convention).”];

8 Here, not only has EDAG not complied with the requirements of The Hague Service
9 Convention to join Byton Limited in this action, EDAG has not bothered to sue and serve Byton
10 Limited with summons in any manner whatsoever. Nevertheless, through this Motion, EDAG
11 effectively seeks to make Byton Limited a party both to the long-concluded arbitration proceeding
12 and to this federal court enforcement action. In effect, then, by this Motion, EDAG seeks an order
13 that would violate an international treaty to which both United States and Hong Kong are parties,
14 *to wit*, the Hague Service Convention. This Court should decline to grant a Motion that would run
15 afoul of the mandatory provisions of an international treaty to which both United States and Hong
16 Kong are parties.

17 **IV. EDAG HAS FAILED TO ESTABLISH THAT THE 22 PATENTS AT ISSUE**
18 **WERE "FRAUDULENTLY CONVEYED" TO BYTON LIMITED.**

19 Finally, the linchpin of EDAG’s Motion, the contention that 22 of the 25 patents at issue
20 were fraudulently conveyed by Byton NA to Byton Limited, is specious. Thus, even if the Motion
21

22
23 ⁴ For a list of signatory countries to The Hague Service Convention, see
24 <https://www.hcch.net/en/instruments/conventions/status-table/?cid=17>. Hong Kong became a
25 party to The Hague Service Convention effective July 19, 1970. The PRC continued Hong
26 Kong’s participation in The Hague Service convention after the PRC assumed control over Hong
Kong in 1997. See [https://www.hcch.net/en/instruments/conventions/status-](https://www.hcch.net/en/instruments/conventions/status-table/notifications/?csid=393&disp=resdn)
table/notifications/?csid=393&disp=resdn.

27 ⁵ “By virtue of the Supremacy Clause, U.S. Const., Art. VI, the Convention pre-empts inconsistent
28 methods of service prescribed by state law in all cases to which it applies.” *Volkswagenwerk*
Aktiengesellschaft v. Schlunk, *supra*, 486 U.S. at 699.

1 did not suffer from the fatal procedural defects discussed above, the Motion nevertheless should
2 be denied.

3 EDAG's Motion is in effect a disguised motion for partial summary judgment which seeks
4 summary adjudication of a claim that Byton NA fraudulently transferred 22 patents to Byton
5 Limited. In order to prevail on a motion for summary judgment/ partial summary judgment,
6 EDAG must demonstrate with admissible evidence that no triable issue of material fact exists with
7 respect to the issue to be summarily adjudicated (here, the claim that Byton NA fraudulently
8 transferred 22 patents to Byton Limited).⁶ As discussed below, EDAG has failed to meet its
9 burden of demonstrating the absence of a genuine factual dispute with respect to its fraudulent
10 conveyance claim.⁷

11 The factual premise of EDAG's fraudulent conveyance claim is that the 22 patents at issue
12 are/were the property of Byton NA, and that Byton NA assigned these patents to Byton Limited
13 without consideration. However, as explained in the Chen Declaration, *these 22 patents were*
14 *never the property of Byton NA; were always the property of Byton Limited; Byton NA was*
15 *contractually obligated to assign any rights in these patents to Byton Limited; and Byton NA*

17 ⁶ See *Federal Rules of Civil Procedure* 56(a) ("The court shall grant summary judgment if the
18 movant shows that *there is no genuine dispute as to any material fact* and the movant is entitled to
19 judgment as a matter of law.") (Emphasis supplied.)

20 Summary judgment is appropriate only where there exists no genuine issue of material fact and as
21 matter of law, movant must show entitlement to summary disposition beyond all reasonable doubt.
22 *SEC v. International Mining Exchange, Inc.* (1981) 515 F. Supp. 1062 (D. Colo. 1981).

23 Summary judgment is very drastic remedy, saying to the losing party that the court is so certain
24 that nothing you have said even raises a material issue that you will be denied the opportunity to
25 have your day in court on your claims; emphasis in motion for summary judgment is that the court
26 must be certain that it is not depriving a party of fundamental right to trial, and this is why the law
27 puts a great burden of proof upon the movant and allows presumptions in favor of opposing party.
28 *Johnson Foils, Inc. v. Huyck Corp.* (1973) 61 F.R.D. (N.D.N.Y. 1973).

⁷ EDAG seeks to set aside/void the transfers of 22 patents to Byton Limited under the California
Uniform Voidable Transactions Act (*Civil Code* §§ 3439–3439.12). A creditor seeking to void a
transfer as fraudulent has the burden of proving the elements of the claim for relief by a
preponderance of the evidence. *Civil Code* § 3439.04(a) and (c).

1 *received service fees from Byton Limited in consideration of the assignment of any patent rights.*

2 As such, the 22 patents at issue could not have been fraudulently conveyed to Byton Limited.

3 Because the central factual premise of EDAG's Motion is flawed, EDAG's entire Motion
4 collapses.

5 Under 37 CFR § 3.73(a), the original applicant for a U.S. patent is *presumed* to be the
6 owner of any patent that may issue from the application, unless there is an assignment. 37 CFR §
7 3.73(a) simply establishes a presumption of ownership of a U.S. patent based on the application.
8 Of course, this presumption of ownership, like any presumption, can be overcome by evidence
9 showing a different ownership of a patent.

10 Here, as discussed in detail in the Chen Declaration, the true owner of all 25 patents at
11 issue (including the 22 allegedly "fraudulently conveyed" patents) is and always has been Byton
12 Limited. The Chen Declaration establishes the following:

- 13 - The 22 challenged patent assignments were made pursuant to a long-standing
14 written contract/agreement between Byton Limited and Byton NA which stipulated
15 that Byton Limited was the owner of all patents granted by a patent office (other
16 than patents granted by the Patent Office of the People's Republic of China) based
17 on any patent application filed by Byton NA arising out of research and
18 development ("R&D") work performed by Byton NA on behalf of Byton Limited.
19 The contract (Exhibit "A" to the Chen Declaration) *was effective November 30,*
20 *2016, and thus long predated any issues in the litigation between Byton NA and*
21 *EDAG.* The contract has never been terminated, and remains in force up to the
22 present time.
- 23 - The 2016 contract provides that Byton NA would act as a research and
24 development ("R&D") service provider to Byton Limited, and would be paid a
25 service fee by Byton Limited to perform the duties set forth in the Agreement. (See
26 Section 6.1 and Exhibit B" to the contract setting forth the service fees to be paid to
27 Byton NA.) The contract also provides that any technology and intellectual
28 property created from the R&D performed by Byton NA on behalf of Byton

Limited belongs to Byton Ltd. Specifically, under the contract, all patents obtained in the United States by Byton NA arising out of R&D work performed by Byton NA on behalf of Byton Limited *belong to Byton Limited from their inception*.

Thus, under the contract, Byton NA never had any ownership interest in any patents obtained in the United States arising out of R&D work performed by Byton NA on behalf of Byton Limited. Instead, under the terms of the contract, patents obtained in the United States arising out of R&D work performed by Byton NA on behalf of Byton Limited were owned solely and exclusively by Byton Limited. See Section 7.1 of the contract (“Service Provider shall not acquire or retain any rights, title or interest in or to any Developed Technology, Developed Products or any of the ex-China Intellectual Property Rights therein.”). See also section 7.3 (“All rights, title and interest in and to (i) the Developed Technology; (ii) Developed Products; (iii) all work in progress related thereto; and (iv) all ex-China Intellectual Property Rights in the foregoing (collectively “Future Rights”) shall be owned exclusively by Company or Company’s Affiliates designated by Company.”) Moreover, to the extent Byton NA obtained any temporary interest in any of these patents, Byton NA was obligated under Section 7.4 of the Agreement to assign all its intellectual property rights to Byton Limited (“Service Provider hereby irrevocably assigns to Company, or Company’s Affiliates designated by Company, all rights, title, and interest in and to any and all Future Rights.”)

- In making the assignments to Byton Limited of the 22 patents at issue in the Motion, Byton NA was not assigning/transferring any assets of Byton NA to Byton Limited, as Byton NA (per the terms of the 2016 contract) was never the true legal owner of these patents. Instead, the recording of the assignments of these patents to Byton Limited with the USPTO was a mere ministerial task by Byton NA that was contractually required to assure that the files of the USPTO reflected the true contractually-mandated ownership of the patents.

- The assignment of the 22 U.S. patents to Byton Limited was not done “without

consideration,” as EDAG claims. To the contrary, under the 2016 contract, Byton NA received payment of service fees from Byton Limited to perform the services set forth in the contract (including the assignment of any patents issued by the USPTO).

(Chen Declaration at ¶¶ 3-10 and 2016 contract attached as Exhibit “A.”)

In short, EDAG’s claim that Byton NA “fraudulently” assigned 22 patents to Byton Limited is simply false because: (1) the 22 patents at issue were never an asset of Byton NA - at all times the true owner of the patents was Byton Limited;⁸ and (2) the assignments were not “without consideration,” as the assignments were made pursuant to a 2016 contract under which Byton NA received service fees in exchange for the assignments.

V. CONCLUSION.

For all of the foregoing reasons, Byton NA respectfully requests that EDAG’s Motion be denied.

Respectfully Submitted,

Dated: December 21, 2021

VAN ETEN SIPPRELLE LLP

By: Keith A. Sipprelle
 Keith A. Sipprelle
 Attorneys for Respondent
 BYTON NORTH AMERICA CORPORATION

⁸ Under California’s Uniform Voidable Transactions Act, only transfers of “assets” are subject to avoidance. *Civil Code* § 3439.01(i). *Civil Code* § 3439.01(a) defines “asset” as “property of the debtor.” The 22 patents at issue are not and never were assets of Byton NA.